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**DELGADO COMMUNITY COLLEGE FOUNDATION, INC.**

**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAR 26 2014**



Postlethwaite  
& Netterville

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**DELGADO COMMUNITY COLLEGE FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
The Delgado Community College Foundation, Inc  
New Orleans, Louisiana

**Report on the Financial Statements**

We have audited the accompanying statements of financial position of the Delgado Community College Foundation, Inc. (a nonprofit organization) (the Foundation) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delgado Community College Foundation, Inc at June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

*Postlethwaite & Hottelville*

New Orleans, Louisiana  
January 20, 2014

**DELGADO COMMUNITY COLLEGE FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

	<b><u>ASSETS</u></b>	
	<b>2013</b>	<b>2012</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 210,429	\$ 125,902
Cash and cash equivalents, restricted	715,156	685,555
Pledges receivable	66,702	94,746
Lease receivable - Student Life Center	162,500	155,000
Investments	1,060,217	1,576,497
Prepaid expenses	3,945	9,035
Total current assets	<u>2,218,949</u>	<u>2,646,735</u>
<b>Non-current assets:</b>		
Investments	689,564	34,300
Investments - restricted	287,998	290,159
Bond issuance costs, net	203,922	216,667
Lease receivable - Student Life Center	<u>3,017,579</u>	<u>3,182,579</u>
Total non-current assets	<u>4,199,063</u>	<u>3,723,705</u>
Total assets	<u><u>\$ 6,418,012</u></u>	<u><u>\$ 6,370,440</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 11,361	\$ 17,632
Bonds payable, net of discount of \$1,245 for 2013 and 2012	161,255	153,755
Due to Alumni Association	76	76
Accrued interest payable	<u>31,649</u>	<u>32,695</u>
Total current liabilities	<u>204,341</u>	<u>204,158</u>
<b>Long-term liabilities:</b>		
Bonds payable, net of discount of \$19,920 and \$21,165 for 2013 and 2012, respectively	3,316,325	3,480,080
Due to Delgado, net	<u>318,205</u>	<u>343,049</u>
Total long-term liabilities	<u>3,634,530</u>	<u>3,823,129</u>
Total liabilities	<u>3,838,871</u>	<u>4,027,287</u>
<b>Net assets:</b>		
Unrestricted	209,639	149,896
Temporarily restricted	2,328,102	2,151,857
Permanently restricted	<u>41,400</u>	<u>41,400</u>
Total net assets	<u>2,579,141</u>	<u>2,343,153</u>
Total Liabilities and Net Assets	<u><u>\$ 6,418,012</u></u>	<u><u>\$ 6,370,440</u></u>

The accompanying notes are an integral part of these statements

**DELGADO COMMUNITY COLLEGE FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenues:</b>				
Contributions	\$ -	\$ 150,508	\$ -	\$ 150,508
Fundraising revenues	172,371	400	-	172,771
Lease rental revenue	-	143,245	-	143,245
Donated services and facilities	16,000	-	-	16,000
Dividends and interest	-	50,715	-	50,715
Realized gain on investments	-	2,794	-	2,794
Unrealized gain on investments	-	108,304	-	108,304
 Total support and revenues	 188,371	 455,966	 -	 644,337
 Net assets released from restriction	 279,721	 (279,721)	 -	 -
 Total support, revenues and other support	 468,092	 176,245	 -	 644,337
<b>Expenses:</b>				
Scholarships	17,748	-	-	17,748
Other college support	168,282	-	-	168,282
Management and general expenses	93,972	-	-	93,972
Interest expense	128,347	-	-	128,347
 Total expenses	 408,349	 -	 -	 408,349
 Changes in net assets	 59,743	 176,245	 -	 235,988
<b>Net assets</b>				
Beginning of the year	149,896	2,151,857	41,400	2,343,153
 End of the year	 \$ 209,639	 \$ 2,328,102	 \$ 41,400	 \$ 2,579,141

(continued)

The accompanying notes are an integral part of these statements

**DELGADO COMMUNITY COLLEGE FOUNDATION, INC**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenues:</b>				
Contributions	\$ 8,048	\$ 178,016	\$ 1,000	\$ 187,064
Fundraising revenues	127,581	-	-	127,581
Lease rental revenue	-	432,750	-	432,750
Loss on bond refinancing	-	(317,959)	-	(317,959)
Donated services and facilities	31,647	-	-	31,647
Dividends and interest	4,023	32,175	-	36,198
Realized gain on investments	-	122,310	-	122,310
Unrealized loss on investments	-	(103,872)	-	(103,872)
Total support and revenues	171,299	343,420	1,000	515,719
Net assets released from restriction	262,479	(262,479)	-	-
Total support, revenues and other support	433,778	80,941	1,000	515,719
<b>Expenses:</b>				
Scholarships	16,050	-	-	16,050
Other college support	160,336	-	-	160,336
Management and general expenses	91,413	-	-	91,413
Interest expense	169,019	-	-	169,019
Total expenses	436,818	-	-	436,818
Changes in net assets	(3,040)	80,941	1,000	78,901
<b>Net assets</b>				
Beginning of the year	152,936	2,070,916	40,400	2,264,252
End of the year	\$ 149,896	\$ 2,151,857	\$ 41,400	\$ 2,343,153

The accompanying notes are an integral part of these statements

**DELGADO COMMUNITY COLLEGE FOUNDATION, INC**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	<b>2013</b>	<b>2012</b>
Change in net assets	\$ 235,988	\$ 78,901
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization of bond discount and bond issuance costs	11,500	19,804
Unrealized (gain) loss on investments	(108,304)	103,872
Loss on bond refinancing	-	317,959
Changes in operating assets and liabilities		
Pledges receivable, net of discount	28,044	(6,776)
Prepaid expenses	5,090	(5191)
Accounts payable	(6,271)	(2,418)
Accrued interest payable	(1,046)	(19,674)
Net cash provided by operating activities	<u>165,001</u>	<u>486,477</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchases of investments	(914,541)	(3,604,900)
Proceeds from sales of investments	886,022	2,848,807
Net cash used in investing activities	<u>(28,519)</u>	<u>(756,093)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Bond principal payments	(155,010)	(3,420,103)
Bond issue costs	-	216,667
Proceeds from bond Series 2011 issuance	-	3,633,835
Receipts on lease receivable	157,500	72,500
Payments due to Delgado Community College	(24,844)	(53,939)
Payments due to Delgado Alumni Association	-	(23,112)
Net cash provided by (used in) financing activities	<u>(22,354)</u>	<u>425,848</u>
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS:</u></b>	<b>114,128</b>	<b>156,232</b>
<b><u>CASH AND CASH EQUIVALENTS</u></b>		
Beginning of the year	<u>811,457</u>	<u>655,255</u>
End of the year	<u><u>\$ 925,585</u></u>	<u><u>\$ 811,457</u></u>
<b><u>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</u></b>		
Cash and cash equivalents, unrestricted	\$ 210,429	\$ 125,902
Cash and cash equivalents, restricted	<u>715,156</u>	<u>685,555</u>
Total	<u><u>\$ 925,585</u></u>	<u><u>\$ 811,457</u></u>
<b><u>DISCLOSURE OF NON-CASH ITEMS:</u></b>		
In-kind donations to the Foundation	<u>\$ 16,000</u>	<u>\$ 31,647</u>
<b><u>OTHER DISCLOSURES:</u></b>		
Interest paid	<u><u>\$ 128,148</u></u>	<u><u>\$ 188,693</u></u>

The accompanying notes are an integral part of these statements

**THE DELGADO COMMUNITY FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Activities**

The Delgado Community College Foundation, Inc (the Foundation) is a nonprofit corporation organized under the laws of the State of Louisiana on June 1, 1988 to

- Promote the educational and cultural welfare of the Delgado Community College (Delgado) and develop, expand, and improve Delgado's facilities to provide broader educational advantages and opportunities, encourage research, and increase Delgado's usefulness,
- Assist any student to continue his or her studies within Delgado, aid and facilitate any line of work or research in the areas embraced in the objectives and purposes of Delgado; and generally, interpret the aims, objectives, and needs of Delgado to the public with a view to gain better mutual understanding and progress, and
- Solicit and accept grants and bequests, including funds of all kinds, to provide scholarships and activities in research, or such other designated benefits for Delgado, its facilities, and students

The Foundation is governed by a Board of Directors. Prior to the organization of the Foundation, the Delgado Community College Development Foundation (the Development Foundation) represented the support organization for Delgado.

**2. Summary of Significant Accounting Policies**

**Basis of presentation**

The accounts of the Foundation are maintained in accordance with the principles of fund accounting under which resources for various purposes are classified into funds according to specified activities or objectives. Net assets are available for the following purposes:

**Unrestricted Net Assets** – This fund is used to account for unrestricted revenues and expenditures.

The Foundation records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Temporarily Restricted Net Assets** include the following:

**Challenge Grant Endowment** – This fund is used to account for a grant received from the U.S. Department of Education which is being administered by the Foundation.

**Restricted Capital Development** – This fund is used to account for contributions to the Foundation whose use has been restricted by donors for capital improvements.

**THE DELGADO COMMUNITY FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

TAP Scholarship - This fund is used to account for contributions to the Foundation which the donor has designated for the purpose of Tuition Assistance Program Scholarships to low and moderate income students that do not qualify for federal or state financial aid

Department and Site Restricted Funds – Formerly known as the Delgado Recovery Fund, this fund is used to account for contributions to the Foundation whose use has been restricted by donors to assist the college to recover from the effects of Hurricane Katrina and for funds restricted by donors or raised for specific departments or sites.

Student Assistance Fund – Formerly known as the Katrina Student Victims Fund, this fund is used to account for contributions to the Foundation whose use has been restricted by donors for assistance to students affected by Hurricane Katrina and other funds restricted by donors for students

Ashton Ryan Endowed Professorship – This fund is used to account for contributions to the Foundation to establish the Ashton Ryan Endowed Professorship. Mr Ryan has pledged \$60,000 to the Foundation and once the matching \$40,000 is obtained from the State, the proceeds will be turned over to the Delgado Community College.

Joseph J Krebs, Jr Endowed Professorship – This fund is used to account for contributions to the Foundation to establish the Joseph J. Krebs, Jr. Professorship The Foundation expects to collect private pledges totaling \$60,000 over the next five years, and once the matching \$40,000 is obtained from the State, the proceeds will be turned over to the Delgado Community College

Other Foundation Scholarships – This fund is used to account for contributions to the Foundation which the donor has designated for the purpose of scholarships in someone's name. The majority of the balance is for scholarships in the name of Seymour Wiess.

Adopt-a-Professor – This fund is used to account for contributions to the Foundation which the donor has designated for the purpose of obtaining endowed professorships. Once specified levels of donations are obtained, the funds are transferred to the Delgado Community College to be used in the endowment program.

Baseball Program – This fund is used to account for contributions to the Foundation whose use has been restricted by donors for assistance to the Baseball program and to renovate the Kirsch-Rooney Baseball Stadium

Permanently Restricted Net Assets include the following

Overture Endowment Net Assets – An endowment scholarship fund was established by the Foundation in accordance with the gift instruments from the Overture to the Cultural Arts. The corpus is permanently restricted, however, the interest income generated from the corpus is temporarily restricted.

**THE DELGADO COMMUNITY FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Cash and cash equivalents**

For the purpose of the cash flows, the Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents

**Amortization of the bond discount and bond issuance costs**

Both the bond discount and the bond issuance costs are being amortized over the life of the bonds (30 years), utilizing a method which approximates the interest method. Bond discount accretion of \$1,245 is included as a component of management and general expenses within the accompanying statements of activities. Amortized bond costs of \$12,745 and \$15,507 were recorded in interest expense for the years ended June 30, 2013 and 2012, respectively

**Contributions and revenue recognition**

Contributions and pledges received are recognized as revenues in the period received at their fair values, and contributions and pledges made are recognized as expenses in the period made at their fair values

The Foundation records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions

The Foundation receives funds from an entity under the College's Goldman Sachs 10,000 Small Businesses Program (the program). The Foundation acts as an agent under the program, receiving the funds and then immediately distributing them to the recipient under the program. As such, related funds and distributions are presented on a net basis in the accompanying statement of activities for all periods presented. During the year ended June 30, 2013, the Foundation received and distributed \$701,217 under the program

**Investments and investment income**

Investments are reported at fair value, with the related gains and losses included in the statement of activities. Income earned from investments, including realized and unrealized gains and losses, is reported in the unrestricted net asset class except where the instructions of the donor specify otherwise

**Income taxes**

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code

**THE DELGADO COMMUNITY FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Income taxes (continued)**

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at June 30, 2013 or 2012.

The Foundation's tax returns for the years ended June 30, 2012, 2011 and 2010 remain open and subject to examination by taxing authorities. The Foundation's 2013 tax return has not been filed as of the report date and is on a valid extension.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Reclassifications have been made to prior year balances to conform to the current year presentation.

**THE DELGADO COMMUNITY FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**3. Net Assets**

**Unrestricted net assets**

Assets and liabilities at June 30 that comprise unrestricted net assets consist of the following

Assets	2013	2012
Cash and cash equivalents	\$ 210,429	\$ 125,902
Pledges receivable	6,702	28,468
Prepaid expenses	3,945	9,035
Liabilities:		
Accounts payable	(11,361)	(13,433)
Due to Alumni Association	(76)	(76)
	<u>\$ 209,639</u>	<u>\$ 149,896</u>

**Permanently restricted net assets**

Permanently restricted net assets of \$41,400 at June 30, 2013 and 2012 consist of \$7,100 of cash and cash equivalents and \$34,300 of non-current investment and endowment funds

**Temporarily restricted net assets**

The remaining assets and liabilities presented on the Statements of Financial Position at June 30, 2013 and 2012 comprise temporarily restricted net assets. Temporarily restricted net assets at June 30 are available for the following purposes

	2013	2012
TAP Scholarship Fund	\$ 419,636	\$ 392,792
Other Foundation Scholarship Fund	166,303	141,685
Department and Site Restricted Fund	255,822	247,532
Student Assistance Fund	82,777	82,777
Baseball Program	59,934	67,339
Challenge Grant Endowment Fund	619,183	563,436
Restricted Capital Development Fund	532,766	471,242
Ashton Ryan Endowed Professorship	60,000	60,000
Joseph J. Krebs, Jr. Endowed Professorship	58,078	58,078
Adopt-a-Professor Fund	28,856	26,258
Overture Endowment	44,746	40,718
	<u>\$ 2,328,102</u>	<u>\$ 2,151,857</u>

**THE DELGADO COMMUNITY FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. Investments**

As of June 30, the investments of the Foundation consist of the following.

2013	Fair Value		
Description	Trust Funds	Student Life Center	Total Investments
Common stocks	\$ 281,710	\$ -	\$ 281,710
Equity securities mutual fund	747,432	-	747,432
Fixed income mutual fund	720,639	-	720,639
US Treasury Bond	-	287,998	287,998
Total	<u>\$ 1,749,781</u>	<u>\$ 287,998</u>	<u>\$ 2,037,779</u>
Current assets	\$ 1,060,217	\$ -	\$ 1,060,217
Long-term assets	689,564	287,998	977,562
Total	<u>\$ 1,749,781</u>	<u>\$ 287,998</u>	<u>\$ 2,037,779</u>
2012	Fair Value		
Description	Trust Funds	Student Life Center	Total Investments
Common stocks	\$ 231,085	\$ -	\$ 231,085
Equity securities mutual fund	625,179	-	625,179
Fixed income mutual fund	754,533	-	754,533
US Treasury Bond	-	290,159	290,159
Total	<u>\$ 1,610,797</u>	<u>\$ 290,159</u>	<u>\$ 1,900,956</u>
Current assets	\$ 1,576,497	\$ -	\$ 1,576,497
Long-term assets	34,300	290,159	324,459
Total	<u>\$ 1,610,797</u>	<u>\$ 290,159</u>	<u>\$ 1,900,956</u>

Unrealized gain (loss) on investments totaled 108,304 and (\$103,872) for the years ended June 30, 2013 and 2012, respectively

**THE DELGADO COMMUNITY FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. Student Life Center**

During 1999, the Board of Directors approved a plan which resulted in the Foundation providing a structure for financing the design and construction of a Student Life Center on the Delgado campus. The transaction was structured as described below:

The Board of Trustees for State Colleges and Universities (the "Board of Trustees") entered into a ground lease agreement with the Foundation for the site on which the proposed Student Life Center (the "Facility") was to be constructed. The Foundation selected a developer, entered into a design and construction contract with that developer, and the developer commenced construction of the Facility on the land leased to the Foundation by the Board of Trustees during fiscal year 2000.

Title to the Facility itself (but not the underlying land) is held by the Foundation. The Foundation has agreed to lease the Facility to Delgado pursuant to a Facility Lease Agreement. The Facility Lease Agreement requires Delgado to pay rent in an amount sufficient to cover the operating costs of the Facility and the debt of service on the bonds issued on behalf of the Foundation (see discussion below) to fund the construction of the Facility. The Facility Lease Agreement has a 30 year term, and it includes a provision which transfers the title of the Facility to Delgado at the end of its term.

The Foundation itself does not have the authority to be the issuer of the tax-exempt bonds (the "Bonds"). Therefore, a separate entity which is qualified to issue tax-exempt bonds was the issuer of the Bonds. That issuer entered into a loan agreement with the Foundation pursuant to which the issuer loaned the proceeds of its bonds to the Foundation to pay for construction of the Facility, and the Foundation expects to repay the issuer with the rental proceeds it receives from Delgado under the Facility Lease Agreement. The remaining original 1999 bonds were recalled and refinanced on September 28, 2011. Approximately, \$143,245 and \$191,751 of such proceeds received during fiscal year 2013 and 2012, respectively, have been recorded as lease rental revenue representing amounts attributable to bond debt service and other related costs of the Facility, net of investment earnings generated from the required reserves provided by the bond issuance.

The estimated cost of the project was \$4,350,000, and the completion date was June 2001. Bond debt service and other related Facility costs are funded through a special student assessment fee for Delgado's City Park Campus students only, assessed at the levels of \$15 per student for the fall and spring semesters and \$5 per student for the summer semester.

The transaction was approved by the Board of Trustees, the Louisiana State Bond Commission, and the City of New Orleans.

The Facility's lease to Delgado is considered a sales-type lease for reporting purposes, therefore the asset associated with the Facility is carried as a lease receivable net of unearned future lease income of approximately \$4 million. The lease receivable will be reduced over time as Delgado remits bond principal payment reimbursements to the Foundation.

**THE DELGADO COMMUNITY FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. Student Life Center (continued)**

As of June 30, 2012, Delgado had cumulatively remitted \$4,295,822 to the Foundation to cover the bond debt service and other related costs of the Facility. Of this amount, \$2,894,060 has been recognized as lease rental revenue, \$995,000 has been recognized as a reduction of the Student Life Center lease receivable, and the remaining balance is carried as deferred revenue (shown as due to Delgado, net) as of June 30, 2012. As a result of the refinancing, the Student Life Center lease receivable was increased by a net of \$255,000.

The Indenture agreement in connection with the Bonds created various funds to ensure payment of the Bonds. These funds amounted to \$287,998 and \$290,159, as of June 30, 2013 and 2012, respectively. These amounts are recorded as Investments – restricted on the accompanying statements of financial position.

**6. Long-Term Debt**

As described in note 5, at June 30 the long-term debt consists of the following:

Revenue bonds	2013	2012
\$3,655,000 2011 Serial bonds due in annual installments of \$155,000 to \$270,000 through October 2029 at interest rates of 2%-4.5%	\$ 3,497,500	\$3,655,000
Less bond discount	19,920	21,165
	3,477,580	3,633,835
Less current maturities	161,255	153,755
	<u>\$ 3,316,325</u>	<u>\$ 3,480,080</u>

The 1999 series bonds were issued November 1, 1999 with interest rates ranging from 4.0% to 6.0% were refinanced with the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority) Revenue Refunding Bonds (Delgado Community College Foundation Project) Series 2011 (Series 2011 Bonds), through a Trust Indenture dated September 1, 2011 (the Indenture Agreement). The new bond proceeds were \$3,655,000, net of a bond discount of \$22,410 and carry interest rates from 2.0% to 4.5%. Bond issuance costs were \$216,667. The Series 2011 Bonds mature in October, 2029, requiring annual principal and semi-annual interest payments. Bonds maturing after October 1, 2022 are subject to redemption prior to maturity at the option of the Authority, upon written direction of the Foundation, in whole or in part at par value plus accrued interest through the redemption date. The 2011 Series Bonds require mandatory redemption should insurance proceeds related to the Facility be not applied to the restoration or repair of such Facility. Series 2011 Series Bonds that mature on October 1, 2023 and beyond shall be subject to a mandatory sinking fund, certain other covenants and conditions as set forth in the Indenture Agreement.

**THE DELGADO COMMUNITY FOUNDATION, INC.**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. Long-Term Debt (continued)**

Annual aggregate principal payments and related Series 2011 Bond discount applicable to the bond payable for years subsequent to June 30, 2013 are

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Discount</u>	<u>Total</u>
2014	\$ 162,500	\$ (1,245)	\$ 161,255
2015	165,000	(1,245)	163,755
2016	170,000	(1,245)	168,755
2017	177,500	(1,245)	176,255
2018	180,000	(1,245)	178,755
Thereafter	2,642,500	(13,695)	2,628,805
	<u>\$ 3,497,500</u>	<u>\$ (19,920)</u>	<u>\$ 3,477,580</u>

**7. Pledges Receivable**

At June 30, pledges receivable consist of the following

	<u>2013</u>	<u>2012</u>
Annual giving campaign	\$ -	\$ 3,061
Roast pledges	6,702	31,685
Ashton Ryan Endowed Professorship	60,000	60,000
Total pledges receivable	<u>\$ 66,702</u>	<u>\$ 94,746</u>

**8. Related Parties**

Delgado Community College provides the Foundation with facilities and administrative personnel free of charge. The value of these services was approximately \$45,122 and \$66,960 for fiscal years 2013 and 2012, respectively.

Contributions recognized from Foundation Board members and employees of the College included in pledges receivable at June 30, 2013 and 2012 amounted to \$60,000 and \$63,061, respectively

**9. Concentrations of Credit Risk**

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana. As of June 30, 2013, the Foundation's \$130,976 of deposits were not covered by the U S Federal Deposit Insurance Corporation (FDIC)

Approximately 90% of the pledges receivable at June 30, 2013 is from one donor. At June 30, 2012, approximately 66% of the pledges receivable were from one donor.

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**NOTES TO FINANCIAL STATEMENTS**

**10. Fair Value of Financial Instruments**

The FASB authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market
- Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

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**NOTES TO FINANCIAL STATEMENTS**

**10. Fair Value of Financial Instruments (continued)**

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of June 30 by Fair Value Measurements valuation hierarchy:

	2013			
	Level 1	Level 2	Level 3	Total
Common stocks				
Consumer discretionary	\$ 15,903	\$ -	\$ -	\$ 15,903
Consumer staples	36,662	-	-	36,662
Energy	54,904	-	-	54,904
Financials	19,382	-	-	19,382
Healthcare	26,694	-	-	26,694
Industrials	44,897	-	-	44,897
Information technology	30,054	-	-	30,054
Materials	10,488	-	-	10,488
Telecommunication services	12,208	-	-	12,208
Utilities	30,518	-	-	30,518
Total common stocks	281,710	-	-	281,710
Exchange traded funds	4,169	-	-	4,169
LTD partnerships/LTD liability corporations	12,815	-	-	12,815
Equity				
Small cap equity funds	193,910	-	-	193,910
Large cap equity funds	327,400	-	-	327,400
International and other equity funds	209,138	-	-	209,138
Total equity funds	730,448	-	-	730,448
Fixed income				
Treasury and federal agencies	221,818	-	-	221,818
Non-governmental obligations	492,956	-	-	492,956
Taxable bond funds	5,865	-	-	5,865
Total fixed income funds	720,639	-	-	720,639
US Treasury Bond	287,998	-	-	287,998
Total	<u>\$2,037,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,037,779</u>

**THE DELGADO COMMUNITY FOUNDATION, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**10. Fair Value of Financial Instruments (continued)**

	2012			
	Level 1	Level 2	Level 3	Total
Common stocks				
Consumer discretionary	\$ 12,850	\$ -	\$ -	\$ 12,850
Consumer staples	32,654	-	-	32,654
Energy	34,992	-	-	34,992
Financials	17,149	-	-	17,149
Healthcare	21,438	-	-	21,438
Industrials	31,892	-	-	31,892
Information technology	15,735	-	-	15,735
Materials	14,211	-	-	14,211
Telecommunication services	11,483	-	-	11,483
Utilities	38,681	-	-	38,681
Total common stocks	231,085	-	-	231,085
Exchange traded funds	5,432	-	-	5,432
LTD partnerships/LTD liability corporations	16,895	-	-	16,895
Equity				
Small cap equity funds	154,218	-	-	154,218
Large cap equity funds	269,607	-	-	269,607
International and other equity funds	179,027	-	-	179,027
Total equity funds	625,179	-	-	625,179
Fixed income				
Vanguard total market index	754,533	-	-	754,533
US Treasury Bond	290,159	-	-	290,159
Total	<u>\$1,900,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,900,956</u>

**11. Endowments**

The Board of the Foundation believes it has a strong fiduciary duty to manage the assets of the Foundation's endowment in the most prudent manner possible. The Board recognizes its responsibility to protect donor intent with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. If not expressed, the Board ensures the assets of the endowment are spent in a prudent manner which considers the purpose of the fund, current economic conditions, and preservation of the fund. To follow these principals, the historic value of the fund is always maintained in temporarily or permanently restricted net assets. Earnings, including appreciation, that are not required by the donor to be reinvested in corpus are maintained in temporarily restricted net assets until spent for their intended purpose.

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**NOTES TO FINANCIAL STATEMENTS**

**11. Endowments (continued)**

The goals and objectives of the investment policies are to maximize total returns within prudent parameters of risk for a Foundation of this type. The Board understands that fluctuating rates of return are characteristic of the securities markets. The Foundation's investment objective is to protect and grow the Foundation's assets, after approved distributions, at a rate greater than the rate of inflation as measured by the U S CPI.

The table below represents the endowment related activity for the fiscal year ending June 30, 2013:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 40,718	\$ 41,400	\$ 82,118
Investment return			
Investment income	1,217	-	1,217
Net appreciation (realized and unrealized)	2,812	-	2,812
Total investment return	4,029	-	4,029
Endowment net assets, end of year	\$ 44,747	\$ 41,400	\$ 86,147

**12. U.S. Navy Grant**

In August of 2012, the U S Navy signed a cooperative agreement with the Foundation to grant \$10 million in funding to the Foundation. The funding would be obligated to support existing education, training, and workforce development of the maritime industry trades. During the year ended June 30, 2013, no revenue or expense related to the grant was incurred.

**13. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 20, 2014, noting no events requiring disclosure.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.